

# Federal Gas Tax Likely to Yield To New Ways to Fund Roads

## Quick Contents

A deal being brokered in the House improves the chances that Congress will pass a six-year surface transportation authorization before the current two-month extension expires.

President Dwight D. Eisenhower might have thought the Interstate Highway System he helped to create would be financed forever chiefly by gasoline tax revenue pouring into a Highway Trust Fund.

But this traditional method is running low on fuel. Mostly as a result of the economic downturn, trust fund revenue has started to level off, and transportation analysts worry that it will continue to decline with more fuel-efficient vehicles.

Transportation experts have known for some time that the Highway Trust Fund financing model is not doing its job of meeting the needs of the nation's grid of highways, bridges and secondary roads.

But now it seems transportation financing is about to be overhauled a lot sooner than many had thought. Nobody is talking about doing away with the Highway Trust Fund. But it might be combined, in significant ways, with other types of creative financing, led by a big push toward privately funded, constructed and maintained toll roads.

The White House has fought Congress over the past year for such changes. Few things can be more threatening to a lawmaker in Washington, after all, than replacing traditional highway financing with new state, local and private funding schemes.

President Bush has vowed to veto any reauthorization of highway and transit programs if it increases gas taxes — even though today's 18.4 cents-per-gallon tax has not changed since 1993. The administration also refuses to back other funding methods, like federal bonds.

As a result, the chairman of the House Transportation and Infrastructure Committee, Don Young, R-Alaska, told representatives of the transportation industry March 4 that he had thrown in the towel on his efforts to get a \$375 billion, six-year transportation reauthorization through Congress, according to people familiar with the discussions. The bill (HR 3550) had the ardent bipartisan support of many of the members of his committee and was endorsed by mayors, governors, unions and organizations representing highway contractors.

Young said in that meeting that he had agreed with House leaders not to mark up a bill larger than \$279.5 billion over six years.

By Isaiah J. Poole



State officials are desperate to untangle crowded suburban roads, such as these in Northern Virginia.

That would still be more than the administration's proposed \$256 billion measure, but less than the \$318 billion bill (S 1072) that the Senate passed and the White House said Bush would veto. (CQ Weekly, p. 539)

There was no word on when Young would mark up his new bill. But the House agreement, details of which were still being worked out, at least puts the three competing parties within negotiating range of one another and increases the chances that Congress will pass a six-year authorization before the current extension runs out at the end of April.

But few would dispute that, to stay within Bush's budget constraints, this new measure would have to accelerate a shift in how transportation projects are built and paid for — a shift away from the federal government.

### Looking for Alternate Routes

At a Washington conference the week of March 1, companies ranging from Wilbur Smith Associates, a highway planning and engineering firm, to Microsoft Corp. were marketing "intelligent transportation" services to officials from state and local transportation agencies. These firms are muscling into the growing field of road tolling, and they offer technology that promises to have drivers zipping along congestion-free lanes



even in the height of rush hour as sensors instruct billing computers to deduct a toll from the driver's bank or credit account. Cash-starved transportation authorities are closely monitoring such technology, and proponents argue that the public is willing to pay tolls for better roads. All they need is a green light from Congress.

"The congestion, the public unrest, the lack of funding and the stark political reality have created a perfect storm for action on our nation's highways," said Patrick D. Jones, executive director of the International Bridge, Tunnel and Turnpike Association, sponsor of the conference.

The organization supports legislation along the lines of a bill (HR 1767) sponsored by Rep. Mark Kennedy, R-Minn., that would end the prohibition on tolls on interstate highways that were not originally toll roads. Elements of the bill were included in the Senate-passed version of the surface transportation reauthorization bill (S 1072) and were also in the administration's transportation proposal.

"This is the only viable source of funding that has the broad base of support," Kennedy said in an interview, "and I really think it should be given the maximum opportunity to succeed over the next roadbuilding period."

He said that his proposal is even more crucial, now that a \$375 billion transportation bill, which he said he supported, is presumed dead.

### Value Pricing Options

Mary E. Peters, administrator of the Federal Highway Administration, also said the tolling option was becoming more important.

"More and more areas are realizing that there are limits to what can be accomplished with traditional highway financing options and transit solutions," Peters told the Washington conference. "State and local governments are realizing that value pricing is an option that must be considered."

The current highway and transit law — the 1998 Transportation Equity Act for the 21st Century, called TEA-21 (PL 105-178) — allowed the creation of 15 value-pricing pilot programs, plus three that would authorize tolls on portions of the Interstate Highway System where tolls had previously been prohibited. (1998 *Almanac*, p. 24-3)

With the renewal of the transportation program, the administration wants

to make it easier for states to get federal clearance to put tolls on interstates in areas of high congestion or in areas where air quality fails to meet federal standards. The administration also wants to free states to develop more public-private collaborations on roadbuilding, and has included a proposal to allow states to issue up to \$15 billion in tax-exempt bonds. The bonds would allow private entities to operate roadways, bridges or freight transfer facilities while using tax-exempt borrowing to finance the projects. The bonds would not be paid for with federal tax revenue.

This is done with a view toward the day when the federal gasoline tax will simply fail to yield enough to be a major source of highway project funding.

The gasoline tax was 3 cents a gallon in 1956, the year the Highway Trust Fund was created. Though the gas tax has been increased several times since then, according to a Bureau of Labor Statistics calculator it has not kept up with inflation. To do that, it would have to be 20 cents a gallon, not 18.4.

But with the addition of environmental requirements, prevailing wage rules and other federal mandates, roadbuilding organizations say that each dollar from the federal gasoline tax has lost half of its purchasing power since the 1960s.

### Paying Their Way

Though the idea of more toll roads appeals to many groups, some consider it almost double taxation.

The national chapter of the American Automobile Association opposes the use of tolling on existing roads, which the Senate transportation bill would allow, "because motorists have already paid for them" through gasoline taxes, said Mantill Williams, AAA's national director of public affairs.

The association also takes a dim view of congestion pricing. "We think congestion pricing is just a tax, and it's a very regressive tax," Williams said. "Nobody in their right mind drives in rush-hour traffic because they choose to" but because work leaves them no other choice.

Williams said that AAA would favor tolls to pay for new roads when there were no other viable options. And the AAA endorses language in the administration's proposal and the Senate bill that would create a blue-

ribbon commission to study the future of road financing. "We do agree that the gas tax right now is getting outdated, and we are going to have to find another way to pay" for highways, Williams said.

### Making Experiments

The use of tolls, at least as a supplement to taxes, has agreement across a broad spectrum, ranging from the Progressive Policy Institute, which usually supports moderate to liberal Democratic policies, to the conservative National Taxpayers Union, which usually takes sides with opponents of big-government spending and increased taxes.

"It makes environmental sense, it makes economic sense, and it's frankly the only way we are going to raise the money for capacity in metropolitan areas," said Robert Atkinson, a transportation policy expert with the Progressive Policy Institute.

Paul Gessing, director of government affairs for the National Taxpayer Union, said his group endorses the idea of increased tolling because it shifts the burden of paying for transportation projects from federal taxpayers to the local level and to individual road users.

Kennedy said the biggest obstacle to his legislation so far is a negative image of traditional toll booths. Legislators from states such as Illinois, where toll booths are more abundant, have been loath to sign on to his bill.

And some of the early experiments with congestion pricing have not gone without controversy. Some commuters in Orange County, Calif., for example, are unhappy with a privately built toll road, state Route 91, that ended up being taken over by the Orange County Transportation Authority.

Advocates of tolling say that is an example of an early adopter of a non-traditional road project feeling its way into new territory. It has not stopped other transportation agencies from pondering their own projects in the shadow of less copious federal funding.

Gary L. Donn, district director of planning and public transportation for the Florida Department of Transportation, said the state is using a federal grant to study a congestion pricing plan on a stretch of Interstate 95 through the Miami-Dade County area.

"Congestion is going to continue to grow, and we need to look at better ways to manage it," he said. ♦